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SUBJECT: Weekly Update: Chalabi's Provision of Services Committee -
December 11 Meeting

11. SUMMARY: The December 11 Baghdad Services Committee meeting reviewed previous recommendations, briefly mentioned an oil report to be discussed more thoroughly at an upcoming meeting and reviewed GoI contracting procedures. It was attended by representatives from the Ministries of Defense, Trade, Transportation, Health, Electricity and Education as well as the Baghdad Operation Command (BOC), a representative from the National Security Advisor (NSA), the Chief of the Public Integrity Commission, the chairman of the Joint Planning Commission and the Major General of the Iraqi Reconciliation Committee. END SUMMARY.

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Committee Reviews Previous Recommendations
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12. The Health IG and the Minister of Trade debated the November 13 suggestion to allow the Ministry of Health (MoH) to inspect all PDS food items before storage and/or distribution. The Ministry of Trade (MoTrade) was concerned that the MoH inspection process would further complicate an already broken system. Chalabi instructed the MoH and MoTrade to form a subcommittee to address this matter. Both ministries are to appoint representatives to this subcommittee by next week's meeting.

13. The Minister of Trade requested that Abu Ghraib and Sawha councils approach the ministry directly regarding PDS concerns. (Note: Both qadas attended the November 27 meeting where they detailed their service needs. Among them were PDS issues. End Note) Chalabi acquiesced, but insisted that the Minister provide an appropriate point of contact for those councils. The Minister provided names to Chalabi's staff.

14. The MoH again noted that the Ministry of Finance (MoF) was holding up needed funds to pay overtime to doctors and other medical staff who are on call and work in 24-hour clinics. Chalabi said he will send another letter to the MoF urging them to release the funds. The MoH also claimed that 24-hour clinics were now open in three Baghdad neighborhoods.

15. Deputy Minister of Electricity complained that the Iraqi Army had not yet secured the electrical transformers in Baghdad, a November 13 decision. The BOC previously agreed to do this, but also requested a list of MoE personnel authorized site access. (Note: It is not clear whether MoE held up this end of the bargain. End Note) Chalabi reminded the MoD and the BOC of their obligation to fulfill this request.

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Preliminary Report: Privatizing Oil Distribution
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16. Without the Ministry of Oil (MoO) present, Dr. Chalabi postponed the discussion on a report submitted by the MoO regarding oil distribution privatization. He shared the report to the committee members. (Note: We are translating the report. End Note) The report is to be discussed at the next meeting.

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17. The Minister detailed the points of corruption in the PDS distribution process: goods are switched before reaching the ministries storage facilities, they are often switched at the ministries depots, and PDS agents are switching goods before distribution. The Minister also said that corruption plagues Um Qasr port, where drivers must pay a large "fee" to gangs controlling the ports simply to pick up the goods. He noted a shortage of trucks and fuel.

18. The Chief of the Public Integrity Commission was present and discussed his organizations recommendations on PDS: cancel direct purchase; allow continuous contracting at market price; authorize the MoH to inspect and certify all food items; assign inspection teams to ensure quantity and quality; compensate local agents for missing items; and regularly inform the public about ration item shortages. The Minister responded with concerns about outstanding payments to retailers dating back to 2004 which has greatly limited their ability to import.

Contracting Woes

19. Dr. Chalabi initiated the conversation about contracting procedures in Iraq. He stressed the difficulties with letters of credit and Iraq's tax policy which he saw as a deterrent to foreign investment. The Deputy Minister of Electricity pointedly said that "the Integrity Commission was not doing its job." The IG of Health offered an alternative plan to reviewing contracts. He suggested that a joint committee be formed to conduct an initial review. If there were no concerns with the contract, then it should proceed

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without visibility by the Integrity Commission. However, if there were concerns, then it should be reviewed by the Commission. No decision was taken on this suggestion. The Ministry of Transportation complained that the laws and regulations regarding contracting were cumbersome and constantly changing.

10. The Public Integrity Commission head described the challenges facing his office. He said that 80 to 90 percent of the calls they receive on their anti-corruption hotline are fraudulent, making it difficult to sift out the actual corruption cases. He noted that over 350 Iraqi government officials have been jailed and then released because of actions they had taken in procurement or contracting. During the Chalabi committee meeting he cited a Ministry of Electricity tender as an obvious example of real corruption because it required successful bidders to be knowledgeable regarding specific French-manufactured electrical equipment. The Deputy Minister of Electricity responded by saying that the contract was for the purpose of finishing installation of a project which had been started but left incomplete by an incompetent Syrian contractor. The French equipment was on site and needed to be installed by someone who understood it.

11. Dr. Chalabi tasked the committee members to develop issue papers or fact sheets regarding the contracting process, particularly its impact on service delivery. He intends to submit a unified paper to the Econ Committee and finally to the I-ESC.

Ministry of Education Attends

12. The Deputy Minister of Education noted that the ministry, under the direction of 115 engineers, had built 454 schools in the last 2.5 years. He compared this to the 515 schools which have been built by the Ministry of Construction and Housing, which employs 4,500 engineers. He commented that the ministry did not have the staff or resources to be in the business of building schools and suggested that perhaps the Ministry of Construction and Housing was better suited. The NSA Secretariat noted that at a recent I-ESC, a decision was made to establish a committee to review which ministry should be

responsible for school construction.

¶13. At the conclusion of the meeting, the Health IG handed an emergency action plan to enhance school health services to the Minister of Education. (Note: On November 20, the MoH warned of further cholera outbreaks, particularly in Baghdad Schools because the MoEd was not allowing the MoH to test school drinking water. End Note)

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